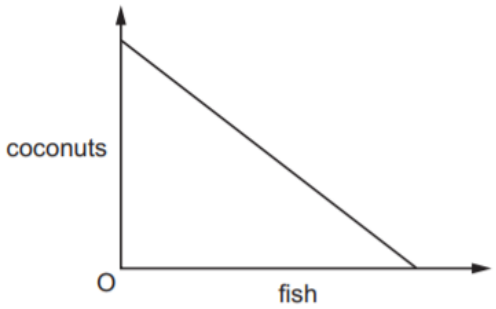
Answers

PRODUCTION POSSIBILITY CURVES (PPC) – MCQS

1) 9708_M16_12_Q3

The diagram shows the production possibility frontier of a desert island economy where the inhabitants live off just two commodities, coconuts and fish.



What explains the shape of the production possibility frontier?

A Coconuts and fish are perfect complements.

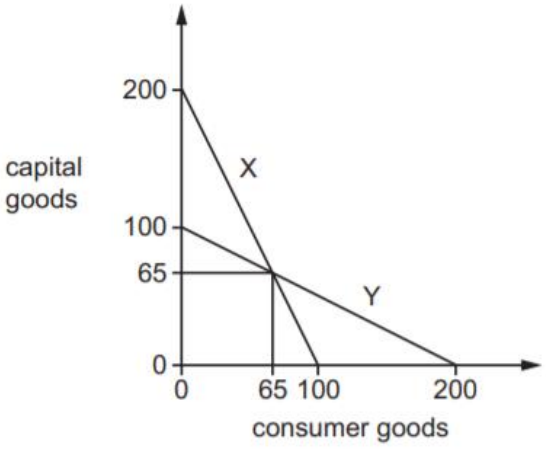
B Coconuts and fish are perfect substitutes.

C The inhabitants consume more fish than coconuts.

D The opportunity cost of fish is constant as more time is devoted to fishing.

2) 9708_S16_11_Q3

The diagram shows the production possibility curves of two economies, X and Y.



Which statement about the two economies is correct?

A Both economies always have identical opportunity costs.

B Both economies have the same future growth prospects.

C The opportunity costs are constant in each economy.

D The terms of trade for both countries will be one capital good for one consumer good.

3) 9708_S16_11_Q4

A production possibility curve shows labour-intensive farming output and capital-intensive manufacturing output.

What would **not** cause a shift in this curve?

A a reduction in sales tax on manufactured products

B better training of workers in the manufacturing sector of the economy

C improvements in the productivity of agricultural machinery

D the reclamation of land to be used for both agriculture and manufacturing

4) 9708_S16_11_Q26

The diagram shows the production possibility curves for two countries, X and Y.

A decrease in productivity moves country X's production possibility curve from X_1 to X_2.

Which statement is correct?

A After the change X would export raw materials and import manufactured goods.

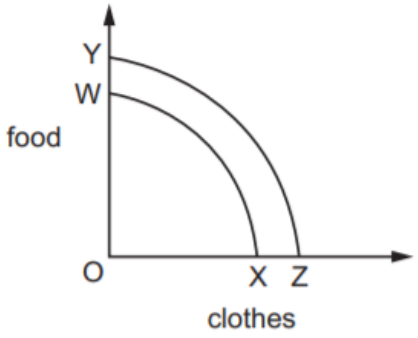
B After the change there is no economic basis for trade.

C Before the change Y had an absolute advantage in the production of raw materials.

D Before the change X had a comparative advantage in both products.

5) 9708_S16_12_Q3

The change from WX to YZ in a country's production possibility curve is shown.



What could have caused this shift?

A an increase in employment among the existing labour force

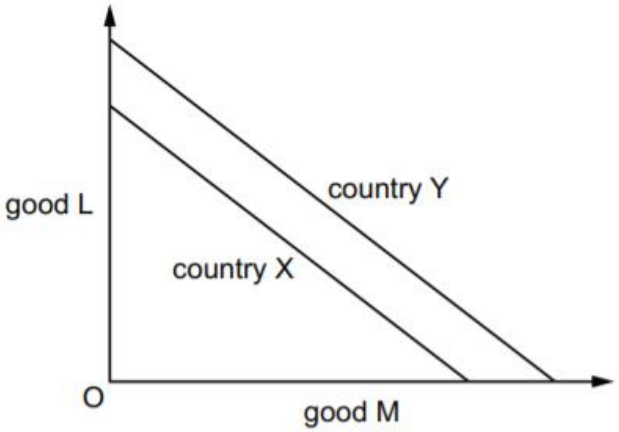
B an increase in the rate of interest

C the closing of an inefficient factory

D the discovery of a new resource

6) 9708_S16_12_Q25

The diagram shows production possibility curves for two countries, X and Y.



What can be deduced from the diagram?

A Both countries can benefit from specialisation.

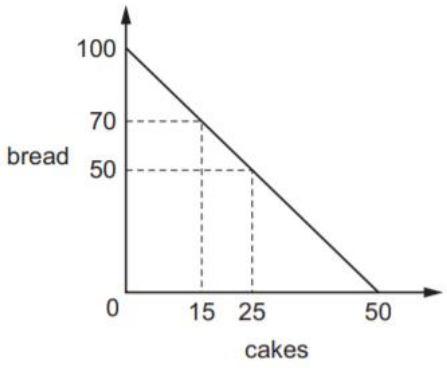
B Country X has a higher opportunity cost than Y in producing good M.

C Country Y has a comparative advantage in both goods.

D Trade between X and Y will not take place.

7) 9708_S16_13_Q1

The diagram shows different production possibilities for a bakery.



They wish to increase production of cakes from 15 units to 25 units.

What is the opportunity cost?

A 10 units of cake

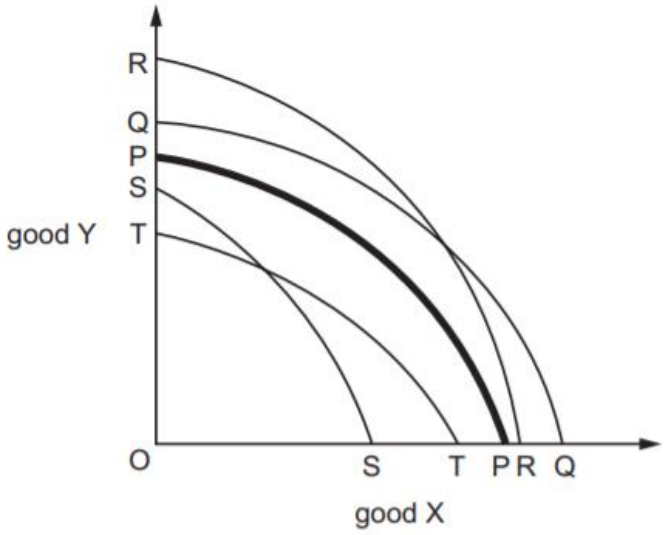
B 15 units of cake

C 20 units of bread

D 50 units of bread

8) 9708_S16_13_Q3

The curve PP in the diagram is the production possibility curve for a country producing goods X and Y. The production of X is more labour-intensive than the production of Y.



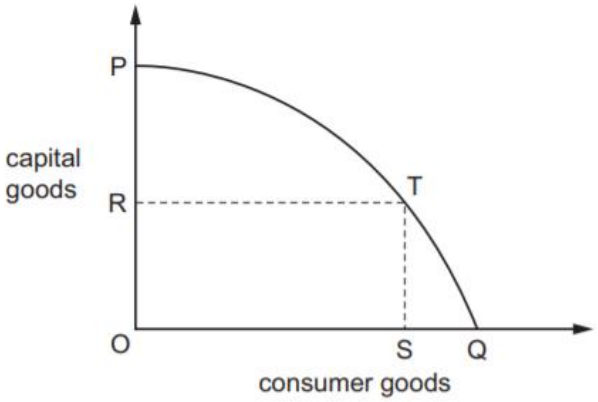
The working hours of the labour force are reduced by law.

Which curve could be the country's new production possibility curve?

A TT **B** SS **C** QQ **D** RR

9) 9708_W16_11_Q2

The production possibility curve for an economy producing capital goods and consumer goods is represented by the line PQ.



What is the opportunity cost of producing OS of consumer goods?

A OR of capital goods

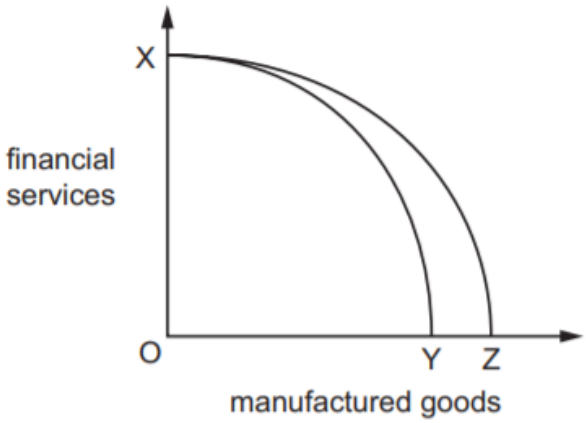
B PR of capital goods

C SQ of consumer goods

D SQ of consumer goods + PR of capital goods

10) 9708_W16_11_Q3

In the diagram XY is an economy's production possibility curve.



What could cause the curve to shift to XZ?

A a fall in productivity in manufacturing

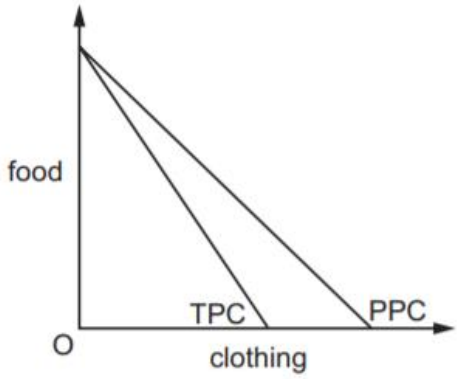
B a fall in the price of manufactured goods

C a higher demand for manufactured goods

D an improvement in manufacturing technology

11) 9708_W16_11_Q27

The diagram shows an economy's production possibility curve, PPC, and trading possibility curve, TPC.



Why is the diagram **not** able to demonstrate the benefits of international trade?

A It assumes there are no transport costs and no barriers to trade.

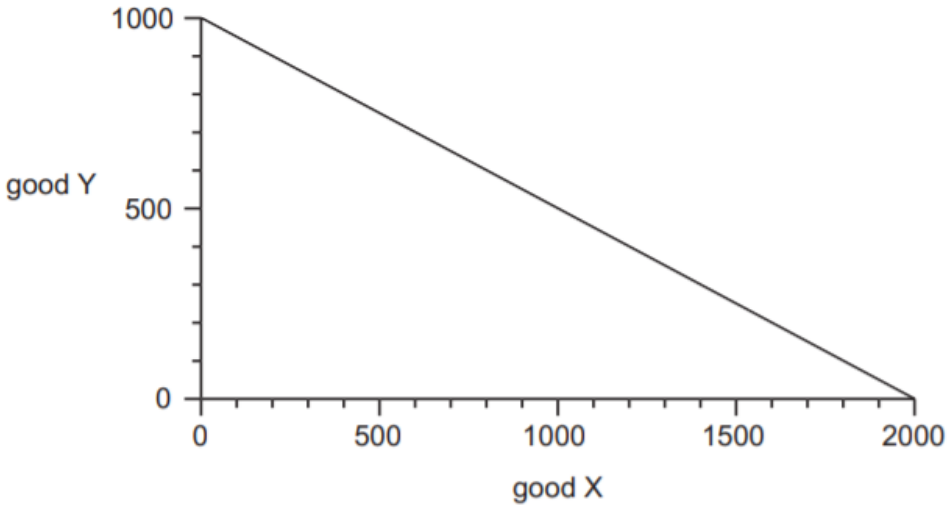
B It deals with only two products.

C The curves are drawn as straight lines.

D The position of the curves does not support the existence of benefits.

12) 9708_W16_12_Q1

The diagram shows a production possibility curve for an economy that produces only two goods, X and Y.



The economy produces 1200 of good X and operates on its production possibility curve.

Which quantity of good Y is given up?

A 400 **B** 600 **C** 800 **D** 1000

13) 9708_W16_12_Q4

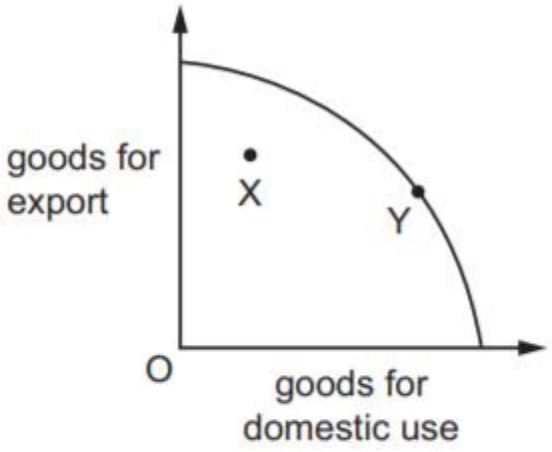
An economy can produce only two goods at any one time. These are good X and one other good from **A**, **B**, **C** or **D**. The table shows the outputs of goods **A**, **B**, **C** and **D** with each output of good X when the economy's resources are fully employed.

Which good must be produced with good X to show a production possibility curve with increasing costs?

	units				
X	0	100	200	300	400
A	0	20	40	60	80
B	110	70	40	20	0
C	120	90	60	30	0
D	140	120	90	50	0

14) 9708_W16_13_Q3

The diagram shows a production possibility curve for an economy.



What might cause the movement from X to Y?

A a more efficient use of resources

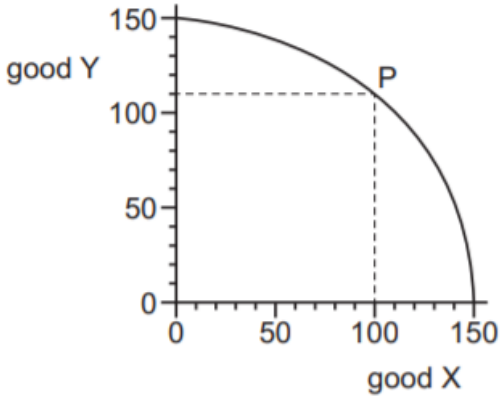
B an increased emphasis on international trade

C growth in the productive capacity of the economy

D new innovations and technology

15) 9708_M17_12_Q3

The diagram shows a production possibility curve for an economy that is producing at point P.

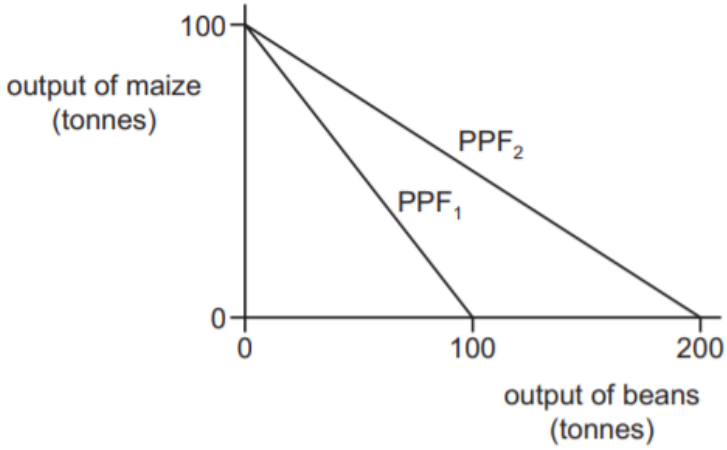


Which quantity of X is given up to produce the quantity of Y shown?

A 40 **B** 50 **C** 100 **D** 110

16) 9708_S17_11_Q3

The diagram shows that the production possibility frontier of maize and beans has changed from PPF_1 to PPF_2.

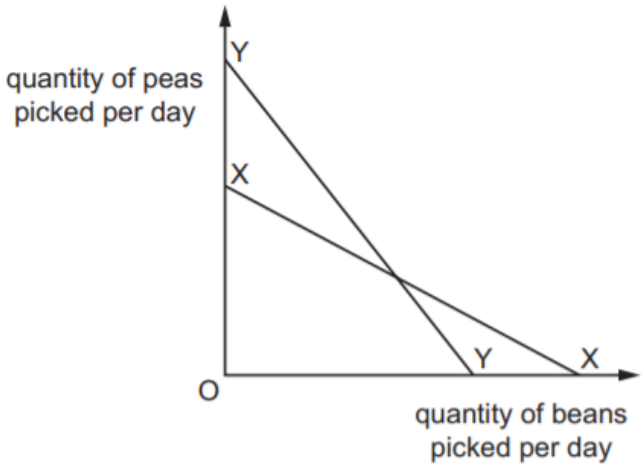


What has happened to the opportunity cost of maize and the returns to factors producing beans?

	opportunity cost of maize	returns to factors producing beans
A	fallen	fallen
B	fallen	risen
C	risen	fallen
D	risen	risen

17) 9708_S17_12_Q3

Line XX is the production possibility curve (PPC) of a worker picking peas and beans in a 10 hour working day.



What would cause the worker's PPC to shift to the line YY?

A a machine that increases the worker's pea picking productivity only

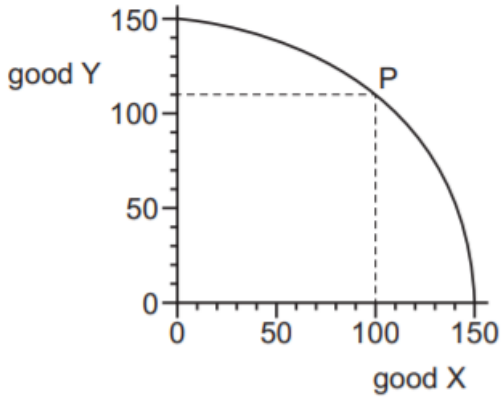
B a new work schedule where the worker spends 6 hours per day picking peas and only 4 hours picking beans

C a reduction in working hours to 8 per day and a machine that increases the worker's pea picking productivity

D a reduction in working hours to 8 per day only

18) 9708_S17_13_Q3

The diagram shows a production possibility curve for an economy that is producing at point P.



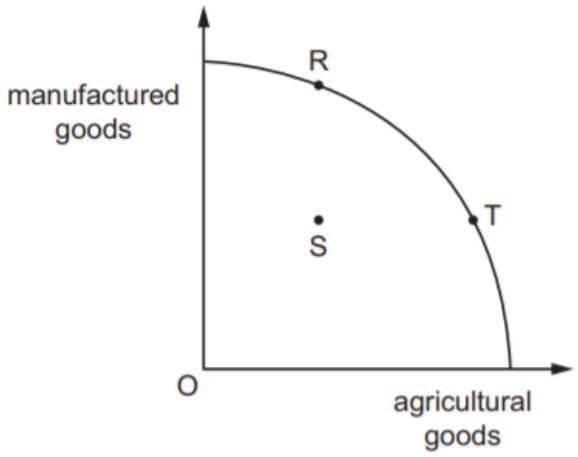
Which quantity of Y is given up to produce the quantity of X shown?

A 40 **B** 50 **C** 100 **D** 110

19) 9708_W17_11_Q3

Farmers using traditional methods lack access to finance and often employ family members on a part-time basis.

If working practices in agriculture could be improved, how would this be likely to be shown on the production possibility curve?



A by a movement from R to T

B by a movement from S to R

C by a movement from S to T

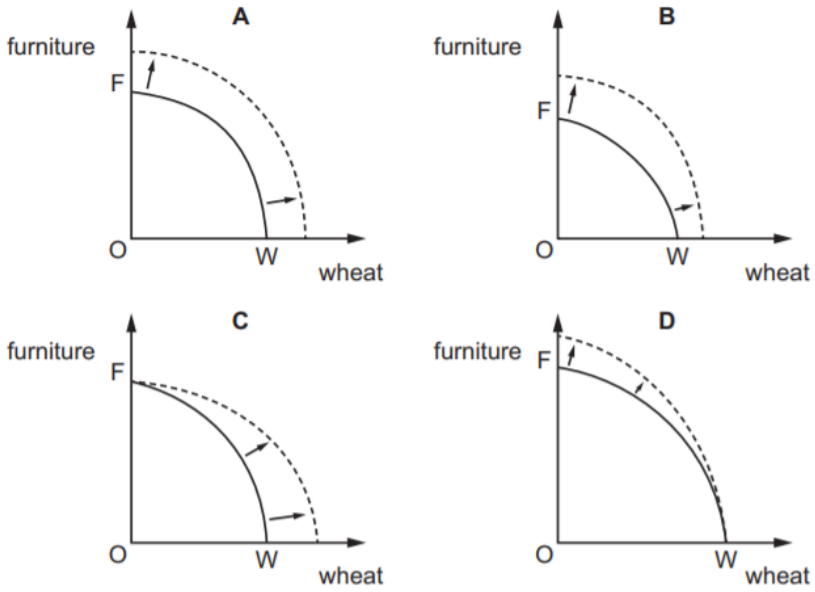
D by a movement from T to R

20) 9708_W17_12_Q3

Economy X uses its resources in the labour-intensive production of wheat and wooden furniture as shown by the production possibility curve FW.

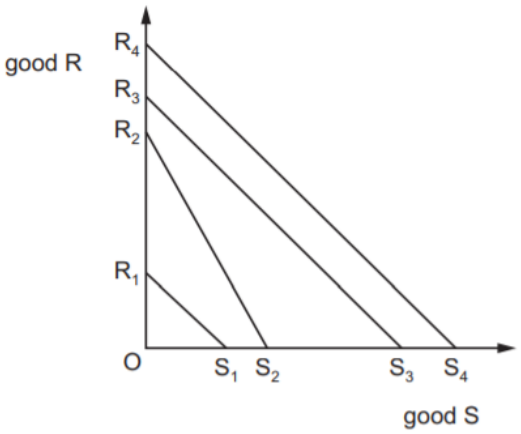
With the help of new strains of wheat seeds, X increased yields and shifted to a new production possibility curve.

Which diagram depicts this change?



21) 9708_W17_13_Q3

R_1S_1, R_2S_2, R_3S_3 and R_4S_4 are production possibility curves (PPC) for four different countries 1, 2, 3 and 4.



Which statement about the opportunity cost of good R in terms of good S is **not** correct?

A It is greater at all points on R_4S_4 than on R_3S_3.

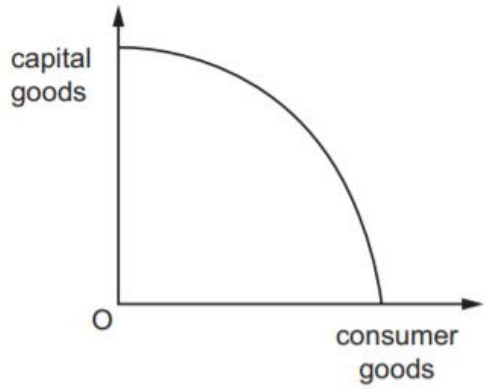
B It is greater in country 3 than country 2.

C It is lower in country 2 than country 1.

D It is the same at each point on R_3S_3.

22) 9708_M18_12_Q3

The diagram shows a production possibility curve for an economy that produces capital goods and consumer goods.



Why is the production possibility curve drawn concave to the origin?

A Capital goods are a more labour intensive output than consumer goods.

B Consumers always seek to maximise their satisfaction from consumption.

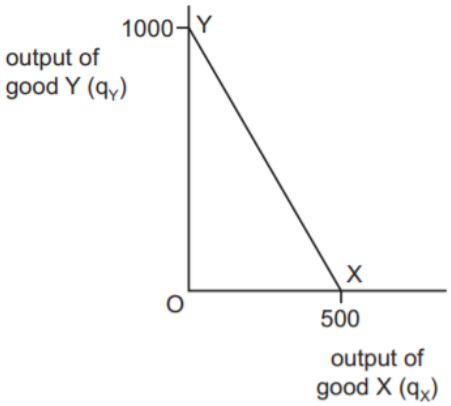
C Profit maximisation for firms always ensures efficiency in production.

D Some resources are more efficient in production of some goods than others.

23) 9708_S18_12_Q2

YX is an economy's production possibility curve (PPC).

The equation of the curve is $q_Y = 1000 - 2q_X$.



What is the opportunity cost of producing one extra unit of good X?

A $\frac{1}{2}$ unit of good Y

B 2 units of good Y

C 500 units of good Y

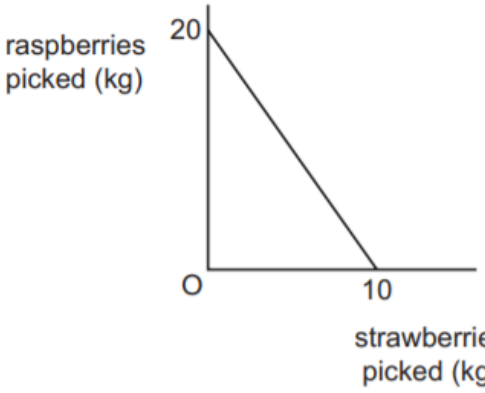
D 1000 units of good Y

24) 9708_S18_12_Q3

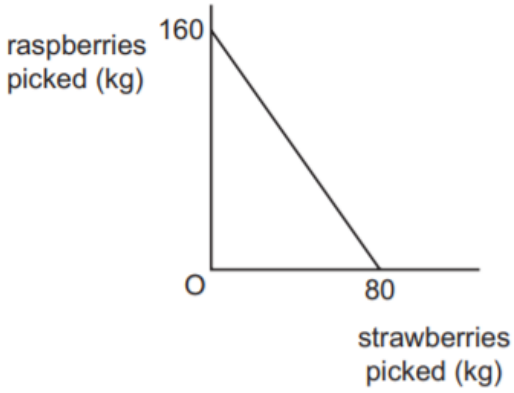
A farmer picks 10 kg of strawberries in each hour. The farmer is twice as productive at picking raspberries.

Which diagram shows the farmer's daily production possibility curve when working 8 hours a day?

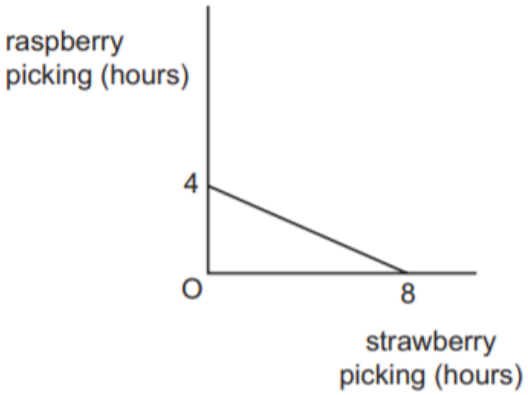
A



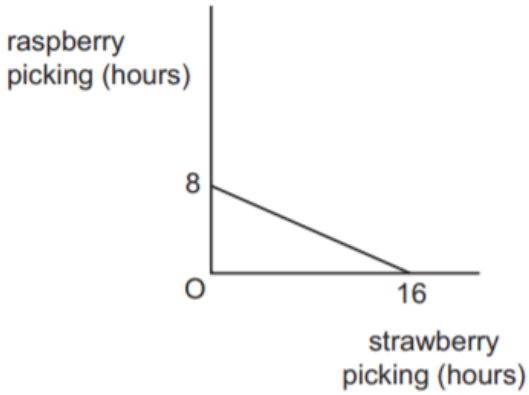
B



C

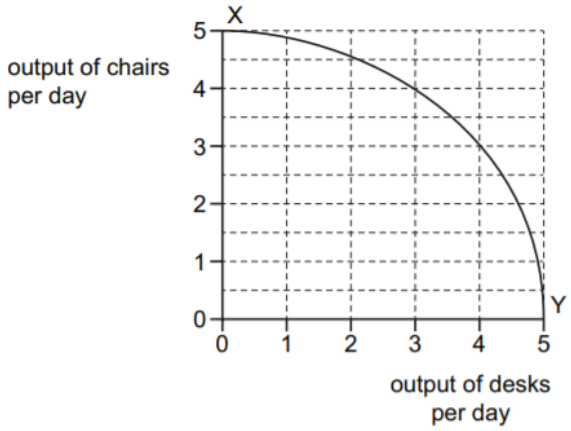


D



25) 9708_S18_13_Q1

XY is the production possibility curve (PPC) of a firm that produces desks and chairs.



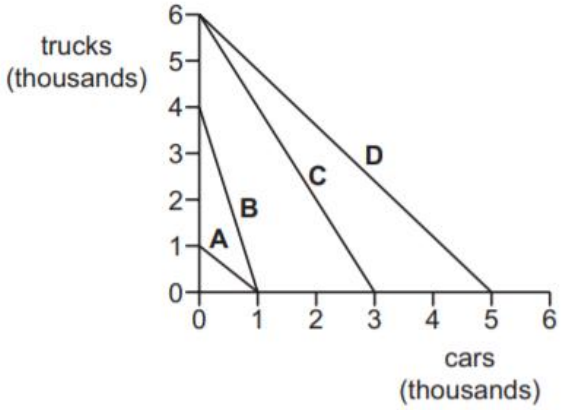
What are the opportunity costs of the 4th and 5th desks produced by the firm?

	opportunity cost of 4th desk	opportunity cost of 5th desk
A	1 chair	3 chairs
B	2 chairs	5 chairs
C	3 chairs	0 chairs
D	4 chairs	5 chairs

26) 9708_W18_11_Q3

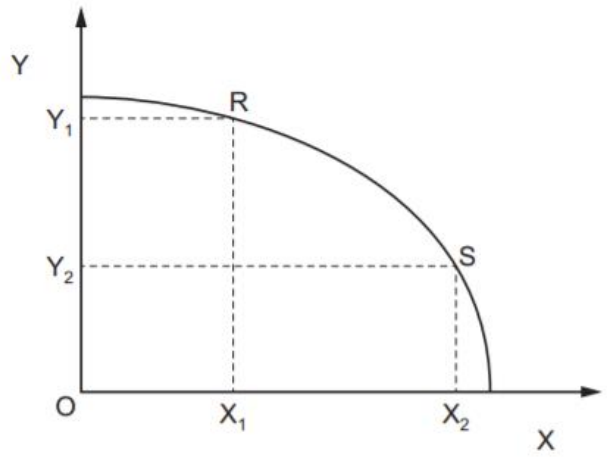
The production possibility curves show the abilities of four economies to produce trucks and cars.

In which economy is the opportunity cost of producing cars lowest?



27) 9708_W18_12_Q2

The diagram shows an economy's production possibility curve for goods X and Y.



What is the opportunity cost of moving from point R to point S on the production possibility curve?

A OX_1 **B** OY_2 **C** X_1X_2 **D** Y_1Y_2

28) 9708_W18_12_Q26

The table shows the production possibilities of cloth and food in four countries using all of their resources.

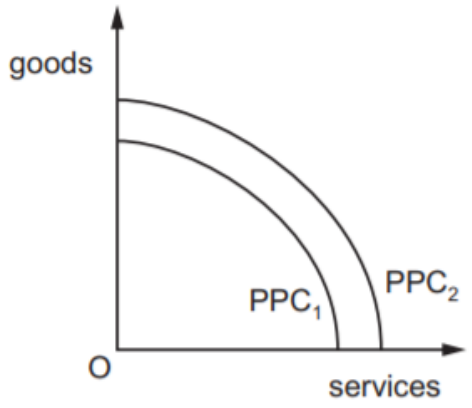
country	cloth (million units)		food (million units)
V	40	or	8
X	28	or	4
Y	8	or	2
Z	5	or	5

If the world exchange rate is 1 unit of food for 6 units of cloth, with whom is V likely to trade?

A X and Y **B** X only **C** Y and Z **D** Z only

29) 9708_W18_13_Q3

The diagram shows two production possibility curves for goods and services in an economy.



What would **not** cause the economy's production possibility curve to shift from PPC_1 to PPC_2?

A an increase in the level of employment

B an increase in the retirement age

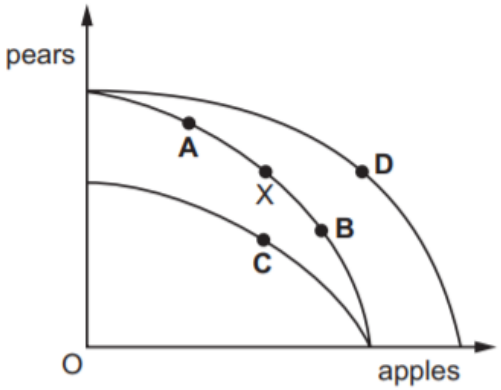
C an increase in the skills level of employees

D an increase in the use of capital by firms

30) 9708_M19_12_Q3

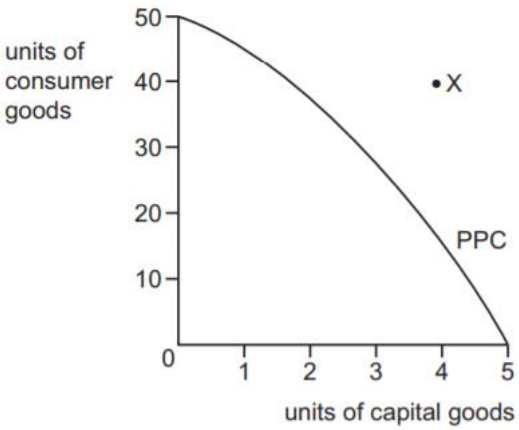
The diagram shows a production possibility curve for a farmer. The original position is X.

If the farmer switches some of his land from producing pears to producing apples, which point represents his new position?



31) 9708_S19_11_Q4

The diagram shows a production possibility curve (PPC). It indicates the combinations of consumer goods and capital goods produced by an economy using all its available resources.



What does position X indicate?

A a lower ratio of capital to consumer goods is necessary to achieve economic growth

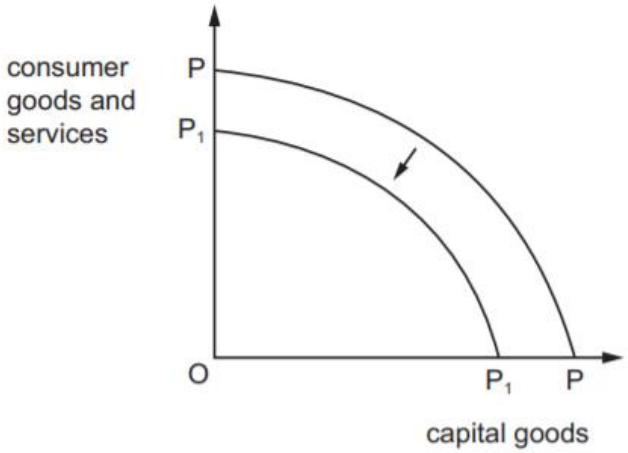
B increasing levels of unemployment

C insufficient factors of production are available

D too many consumer goods are causing a fall in economic growth

32) 9708_S19_12_Q1

A production possibility curve for a country is shown.



What would cause the shift from PP to P_1P_1?

A application of more machinery used in manufacturing

B productivity decreases

C scientific methods applied to farming

D switch from production of consumer goods to capital goods

33) 9708_S19_12_Q3

What would be a determinant of a country's production possibility curve boundary?

A the capital invested in infrastructure

B the level of price and wage inflation

C the level of unemployed labour

D the volume of imports and exports

34) 9708_S19_13_Q3

What is correct at any point along an economy's production possibility curve?

	existing resources are fully employed	existing technology is fully used
A	correct	correct
B	correct	false
C	false	correct
D	false	false

35) 9708_W19_11_Q4

What does a production possibility curve show?

A the maximum output that can be produced by a firm in a year

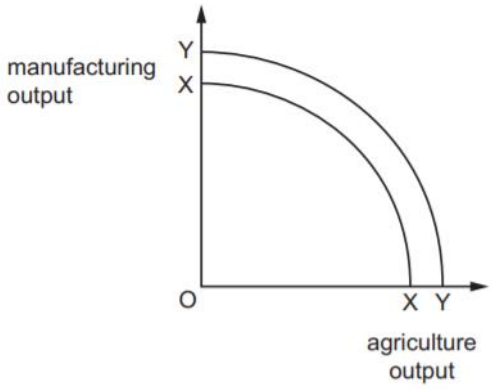
B the maximum output that can be produced per worker per year in the economy

C the maximum output that could be exported from a country

D the maximum output of two or more goods in an economy from a given amount of inputs

36) 9708_W19_11_Q4

The diagram shows two production possibility curves, XX and YY.



What would cause a movement from XX to YY?

A a decrease in scarce resources

B a decrease in the cost of resources

C an increase in the cost of labour

D an increase in the labour force

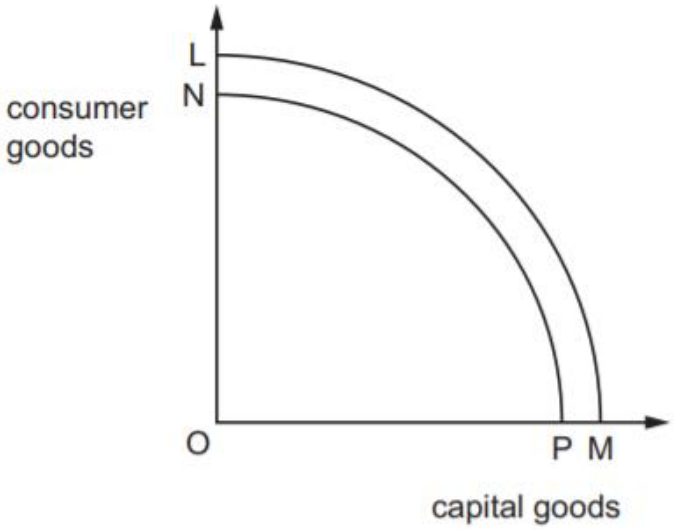
37) 9708_W19_12_Q2

Which labels might be used on a production possibility curve diagram?

	Y (vertical) axis	X (horizontal) axis
A	capital input	labour input
B	cost of production	quantity produced
C	output of rice	labour input
D	output of rice	output of sugar

38) 9708_W19_13_Q4

In the diagram the original production possibility curve is LM.



What could cause the curve to shift to NP?

A a fall in the working population

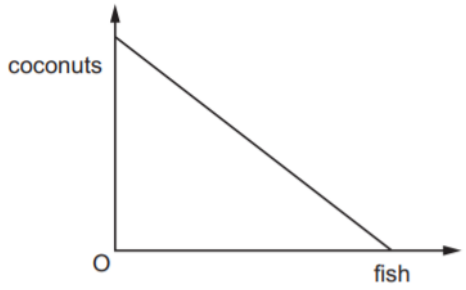
B a reallocation of resources from consumer goods to capital goods

C an increase in output per worker

D an increase in unemployment

39) 9708_M20_12_Q1

The diagram shows the production possibility curve of a desert island economy where the inhabitants produce just two commodities, coconuts and fish.



What explains the shape of the production possibility curve?

A Coconuts and fish are perfect complements.

B Coconuts and fish are perfect substitutes.

C The inhabitants consume more fish than coconuts.

D The opportunity cost of increasing fish production is constant.

40) 9708_S20_13_Q1

An economist knows the current point at which an economy is operating within its production possibility curve.

What can the economist judge from this knowledge about the economy?

A its degree of self-sufficiency

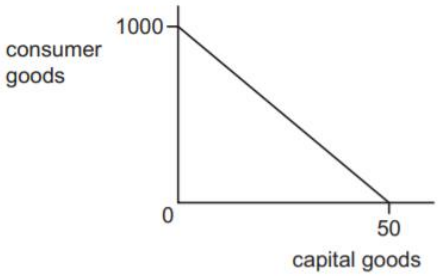
B its international competitiveness

C its level of output of two goods

D its rate of economic growth

41) 9708_W20_11_Q1

The diagram shows an economy's production possibility curve.



It has been employing its resources in the ratio of 80% consumer goods production and 20% capital goods production.

What will be the result if it decides to double its output of capital goods?

A a gain of 20 capital goods

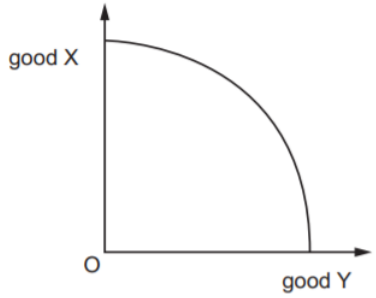
B a gain of 40 capital goods

C a loss of 200 consumer goods

D a loss of 600 consumer goods

42) 9708_W20_12_Q1

The diagram shows a production possibility curve.



What can be deduced from the shape of this curve?

A decreasing marginal returns to consumption

B decreasing opportunity costs of consumption

C increasing opportunity costs of production

D increasing returns to scale

43) 9708_W20_13_Q1

An economy is operating at a point inside its production possibility curve.

Why is this described as inefficient?

A Individuals are enjoying too much leisure.

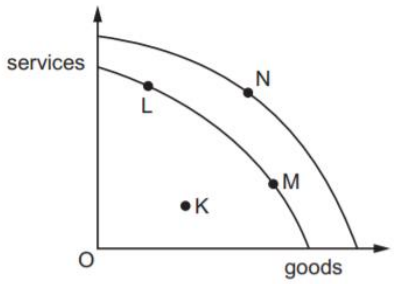
B More of one good can be produced without decreasing production of another.

C The combination of labour and capital is wrong.

D There are shortages of some goods and an excess supply of others.

44) 9708_M21_12_Q2

The diagram shows two production possibility curves for an economy.

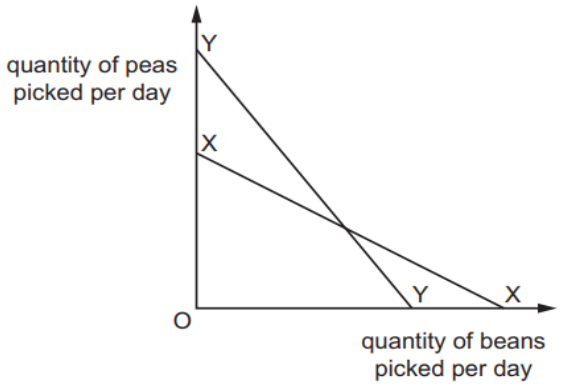


Which combination of movements correctly illustrates these changes in production?

	short-run economic growth	long-run economic growth	no economic growth
A	K to L	L to M	M to N
B	K to L	M to N	L to M
C	M to N	K to L	L to M
D	M to N	L to M	K to L

45) 9708_W21_12_Q1

Line XX is the production possibility curve (PPC) of a worker picking peas and beans in a 10 hour working day.



What could cause the worker's PPC to shift to the line YY?

A a decrease in working hours to 8 per day and a machine that increases the worker's pea picking productivity

B a machine that increases the worker's pea picking productivity only

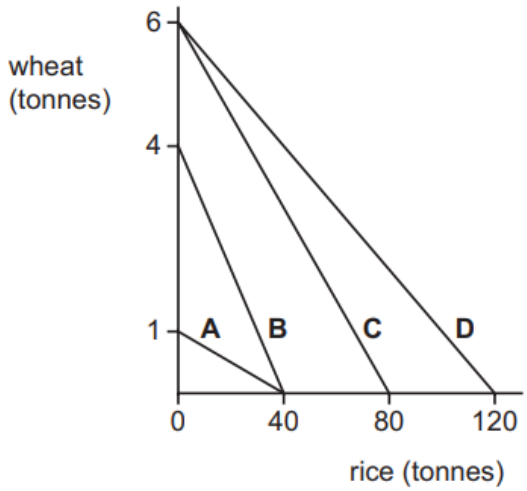
C a new work schedule where the worker spends 6 hours per day picking peas and only 4 hours picking beans

D a reduction in working hours to 8 per day only

46) 9708_M22_12_Q4

The production possibility curves (PPCs) show the abilities of four economies to produce wheat and rice.

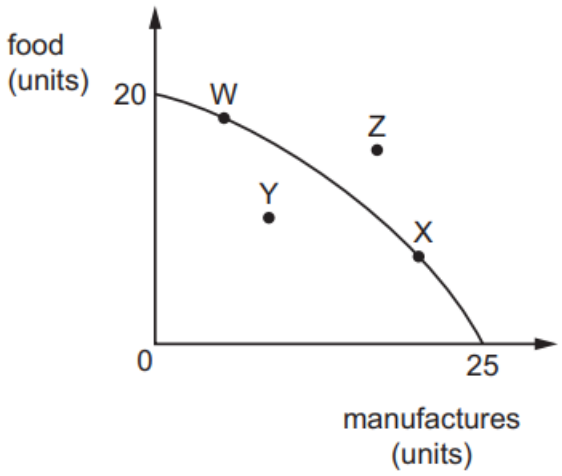
Which PPC has the lowest opportunity cost for producing wheat?



47) 9708_M22_12_Q1

A production possibility curve shows the combinations of outputs an economy can produce using all available resources.

At which points on the diagram are all available resources used?



A W and X only

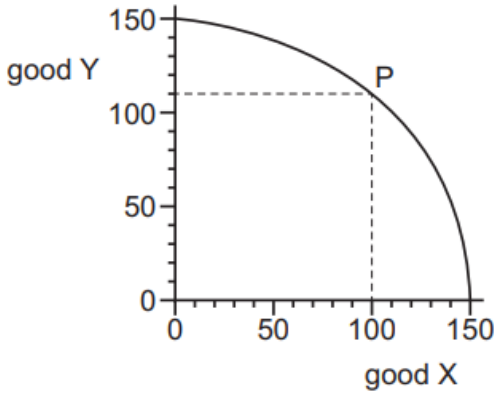
B W, X and Z only

C W, X, Y and Z

D Z and Y only

48) 9708_S22_11_Q1

The diagram shows a production possibility curve for an economy that is producing at point P.

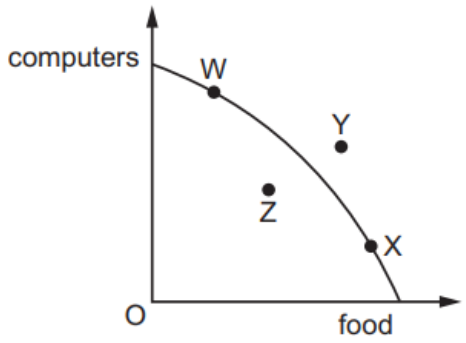


Which quantity of X is given up to produce the quantity of Y shown?

A 40 **B** 50 **C** 100 **D** 110

49) 9708_S22_12_Q3

An economy produces combinations of computers and food as shown on the diagram of a production possibility curve (PPC).



If all available resources were used, which two points on the PPC diagram show the maximum combinations of computers and food that the economy can produce?

A W and X **B** X and Y **C** Y and Z **D** Z and W

Answer Key

MCQ	Answer		MCQ	Answer
1	D		31	C
2	C		32	B
3	A		33	A
4	A		34	A
5	D		35	D
6	D		36	D
7	C		37	D
8	B		38	A
9	B		39	D
10	D		40	C
11	B		41	C
12	B		42	C
13	D		43	B
14	A		44	B
15	B		45	A
16	D		46	B
17	C		47	A
18	A		48	B
19	C		49	A
20	C			
21	A			
22	D			
23	B			
24	B			
25	A			
26	A			
27	D			
28	B			
29	A			
30	B			